

ASSOCIATE SUPERINTENDENT APPROVAL

STATE BOARD MEETING DATE September 24, 2007

SUBJECT: Developing Innovations in Navajo Education, Inc. (DINE)

- Program of Instruction Amendment Request
- Violations of Classroom Site Fund Requirements

SUBMITTED BY: DeAnna Rowe

MANAGEMENT TEAM REVIEW:

BACKGROUND INFORMATION:

Charter School audits are due November 15 of each year. DINE did not submit its FY06 audit until May 31, 2007. Through previous Board action, 10% of the school's monthly equalization was withheld from December 2006 until the audit was received in May 2007. Based on the FY 06 audit submitted, DINE violated CSF requirements for three consecutive years. Given the repeat nature of the violations and the lack of success staff has had with corrective action efforts, this school is on the agenda for possible disciplinary action.

Prior to the submission of the audit in May, Charter Board staff conducted a site visit at DINE. During the site visit it was determined that the school had modified its program of instruction from the original description provided in the charter. Staff discussed the program of instruction amendment request process and provided the school with a timeframe for submission. The school provided the appropriate support documentation and an amendment request in an effort to comply with the charter contract.

Classroom Site Fund Background

The Classroom Site Fund (CSF) was established in state statute in FY 2002 and is funded through an increase in the sales tax as a result of a Proposition 301 which was passed by the voters to provide, among other things, for teacher salary increases and other specified maintenance and operation purposes. The specific purposes for which CSF monies can be spent are outlined in A.R.S 15-977. Additional guidance on the proper use and tracking of the monies is outlined in memoranda (specifically USRCS memorandum #44) issued by the Office of the Auditor General.

Violations of CSF Requirements

The compliance questionnaire, included in each school's annual audit, contains a series of questions relating to the compliance of CSF monies. When a school's audit indicates violations of proper expenditure of CSF monies, they are required to submit a corrective action plan (CAP). The CAP requires the school to: 1) Read A.R.S. 15-977 and USFRCS Memorandum #44 and become familiar with requirements associated with CSF monies; 2) Indicate that they will change their internal processes to ensure future compliance and; 3) acknowledge that repeat non-compliance could result in disciplinary action by the Board.

Repeat Violations of CSF Requirements

If a school's audit indicates repeat violations of CSF requirements the following year, the school is informed of the repeat violation in its audit letter and indicates that notifications will not be approved and contractual amendments will not be forwarded to the Board until

compliance is demonstrated. The letter also encourages the school to re-read the prior year's corrective action plan to assist them in coming back into compliance.

Based on the FY 06 audit submitted, DINE violated CSF requirements for three consecutive years. Given the repeat nature of the violations and the lack of success staff has had with corrective action efforts, this school is on the agenda for possible disciplinary action.

Precedent

During its April meeting, the Charter School Board (the Board) approved a motion to withhold 10% of monthly state aid for four of its schools that had violated Classroom Site Fund requirements for three consecutive years. In determining the appropriate course of action to take, the Board considered the following factors:

- Were there repeat breaches of the charter contract or the law?
- Were there multiple instances of non-compliance?
- Did the school demonstrate an ability and willingness to operate in compliance with the law?
- What is the school's historical compliance record?

The State Board of Education took similar action at its May 2007 meeting for another if its schools. In both situations, the Boards' action to withhold 10% of state aid was to continue until the schools could demonstrate compliance with CSF requirements either through their next annual audit or through an Agreed Upon Procedure established by Board staff.

BOARD ACTION REQUESTED: [] INFORMATION [X] ACTION/DESCRIBED BELOW

The State Board of Education approves the program of instruction amendment request for Developing Innovations in Navajo Education, Inc. as presented.

The State Board of Education finds Developing Innovations in Navajo Education, Inc. in non-compliance with Classroom Site Fund requirements and therefore, in accordance with A.R.S. § 15-185.H, approves withholding ten percent of their monthly apportionment of state aid. The funds will be withheld until the school can demonstrate compliance with CSF requirements either through its next annual audit or through an Agreed Upon Procedure as established by Board staff.

Attachments: [] Yes [X] No